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TO RUEHKL/AMEMBASSY KUALA LUMPUR IMMEDIATE 1290  
RUEHLO/AMEMBASSY LONDON IMMEDIATE 3068  
RUEHFR/AMEMBASSY PARIS IMMEDIATE 3610  
INFO EU MEMBER STATES COLLECTIVE IMMEDIATE  
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S E C R E T SECTION 01 OF 03 STATE 029201

SIPDIS

E.O. 12958: DECL: 03/25/2019  
TAGS: [EFIN](#) [ETTC](#) [KNNP](#) [IR](#) [UK](#) [XB](#) [XC](#) [MY](#)  
SUBJECT: JOINT US-UK-FRANCE DEMARCHE TO MALAYSIA ON BANK  
MELLAT

REF: PARIS 331

Classified By: ISN Acting A/S Eliot Kang, for reasons 1.4 (b) and (d).

[1](#)1. (U) This is an action request. Please see paragraph 3.

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SUMMARY/BACKGROUND  
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[1](#)2. (C) The UK and France share U.S. concerns that the opening of a subsidiary of Iran's state-owned Bank Mellat in Malaysia's Labuan Offshore Financial Center could allow Iran to facilitate proliferation-related payments through the subsidiary bank. We would like to participate in a UK- or French-led joint demarche to the GOM, and provide a non-paper, releasable to the UK, France, and Malaysia, on Bank Mellat's proliferation-related activities, in order to show a united position against allowing this subsidiary branch to open.

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OBJECTIVES/ACTION REQUEST  
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[1](#)3. (C) Washington requests embassies pursue the following objectives:

FOR EMBASSY KUALA LUMPUR ONLY:

-- Participate in a joint demarche to the GOM with the UK and France warning against the establishment of a Bank Mellat subsidiary in Labuan.

-- Underscore to the GOM that the U.S. shares the serious concerns held by the UK and France with regard to the establishment of a Bank Mellat subsidiary in Labuan.

-- Deliver the non-paper in paragraph 4 on Bank Mellat's proliferation-related activities.

-- Remind the GOM that Bank Mellat and all of its offices worldwide have been designated by the U.S. under Executive Order (E.O.) 13382 and may be designated by the EU. The proposed Labuan-based subsidiary of Bank Mellat would therefore likely be subject to sanctions by the United States under this same order. U.S. sanctions against a Malaysian-based Iranian-owned financial institution would draw unfavorable international attention to Malaysia's financial sector.

-- Urge GOM to heed the call of UNSCR 1803, adopted on March 4, 2008, which "(c)alls on all states to exercise vigilance over the activities of financial institutions in their territories with all banks domiciled in Iran, in particular with Bank Melli and Bank Saderat, and their branches and subsidiaries abroad, in order to avoid such activities

contributing to the proliferation sensitive nuclear activities, or to the development of nuclear weapons delivery systems, as referred to in UNSCR 1737 (2006)."

-- Urge the GOM to consider the February 25, 2009 statement of the Financial Action Task Force. The statement highlights Iran's lack of adequate anti-money laundering and counter financing of terrorism controls and calls upon jurisdictions to, "protect against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices, and take into account money laundering/financing of terrorism risks when considering requests by Iranian financial institutions to open branches and subsidiaries in their jurisdiction."

FOR EMBASSIES LONDON AND PARIS:

-- Convey to appropriate host government officials in the foreign affairs ministry of our participation in the joint approach with the UK and France in Kuala Lumpur warning against the establishment of a Bank Mellat subsidiary in Labuan.

-- Note that the United States in the joint demarche setting will share information with the government of Malaysia (GOM) on Bank Mellat's proliferation-related activities.

STATE 00029201 002 OF 003

-- Note that we are directing our Embassy in Kuala Lumpur to participate in the joint demarche with the UK and France to the GOM Ministry of Foreign Affairs.

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NONPAPER ON BANK MELLAT PROLIFERATION  
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14. BEGIN TEXT OF S//REL MYS, GBR, AND FRA NONPAPER ON BANK MELLAT.

-- The U.S. has information indicating that Bank Mellat provided financial services in support of Iran's nuclear industry, namely the Atomic Energy Organization of Iran "AEOI", by servicing and maintaining AEOI bank accounts, mainly through an AEOI front company, the Novin Energy Company. Bank Mellat has facilitated the movement of millions of dollars for Iran's nuclear program.

-- Novin Energy Company acted as a financial conduit for AEOI, having moved millions of dollars on its behalf since its creation in 2001. In addition, AEOI's President is also the Managing Director of Novin Energy Company.

-- Bank Mellat facilitated millions of dollars in business for Novin Energy Company.

-- In addition, as of 2006, a suspected Iranian nuclear procurer associated with Kalaye Electric Company conducted business with Bank Mellat.

-- Kalaye Electric Company, which was listed in the Annex to UN Security Council Resolution 1737 on December 23, 2006, is an Iranian centrifuge research and design entity and is subordinate to AEOI.

Bank Mellat Dealings with other WMD Proliferation Entities of Concern

-- More recently, Bank Mellat has become further involved in facilitating millions of dollars in business involving Iran's Aerospace Industries Organization ("AIO").

-- AIO oversees Shahid Hemmat Industries Group (SHIG) and Shahid Bakeri Industrial Group (SBIG), which are involved in Iran's ballistic missile program and are designated in the Annex of UN Security Council Resolution 1737.

-- In mid-2007, Bank Mellat was involved with Bank Sepah in facilitating millions of dollars in business with AIO.

-- Bank Sepah is designated in the Annex of UN Security Council Resolution 1747.

-- In mid-2007, an Iranian entity, associated with its missile industry, suggested that China Precision Machinery Import Export Corporation, an entity designated under U.S. Executive Order 13382 for providing material support to Iran's missile program, used Bank Mellat to finance purchases associated with the contract for missile-related goods.

#### Bank Mellat's Continued Role in Iran's Proliferation Finance Network

-- We have information that Bank Mellat continues to provide financial services on behalf of entities that have been identified by either the UN or the U.S. as facilitators of proliferation or terrorism. Some examples of Bank Mellat's efforts include the following:

-- In late 2007, subsequent to the UN Security Council listing of Bank Sepah, Bank Sepah's Rome branch handled letters of credit for the Singapore branch of the Sanpaolo IMI SpA bank, worth approximately \$500,000. The letters of credit were for Bank Mellat Tehran.

-- We also have information that Bank Mellat has conducted activity for front companies and subordinates of designated entities. Examples of this activity include the following:

-- In early 2008, a Bank Mellat branch was the consignee for a shipment of defense-related goods to a company we believe was acting as a front for Iran's Defense Industries Organization (DIO).

-- In late 2007, Bank Mellat Seoul was involved with a payment intended for a designated entity from an Iranian company.

STATE 00029201 003 OF 003

END MYS, GBR, FRA, ITA NONPAPER

The following points can only be transmitted verbally to Malaysia, the United Kingdom, and France:

-- During 2008, Bank Sepah used Bank Mellat to facilitate millions of Euros in payments to Iran's AIO.

-- During 2008, AIO paid several million Euros to companies in Europe and Asia using Bank Mellat.

-- We urge you, consistent with UNSCR 1803, which "calls on all member states to exercise vigilance over the financial activities of banks in their territories with all banks domiciled in Iran, and their branches and subsidiaries abroad," to revoke Bank Mellat's license to operate in Labuan and block any pending transactions to prevent the possibility or proliferation-related activity from taking place.

-- We look forward to working with you on this and other related security and counter-proliferation matters, and are prepared to provide additional assistance as appropriate.

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REPORTING DEADLINE  
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15. (U) Post should report results within seven business days of receipt of this cable. Please slug replies for ISN, T, EAP, EUR, TREASURY, and NEA. Please use the caption SIPDIS in all replies.

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POINT OF CONTACT  
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[¶](#)6. (U) Washington point of contact for follow-up information is Jennifer Chalmers, ISN/CPI, (202) 647-9715 and Dan Bischof, EAP/MTS, (202) 647-4932.

[¶](#)7. (U) Department thanks Post for its assistance.  
CLINTON